

Message Text

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ORIGIN EB-07

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-----050036Z 005475 /12
P 042204Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI PRIORITY

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E.O. 11652: N/A

TAGS: EAIR, IN

SUBJECT: CIVAIR - NEW APPROACH ON PAN AM REMITTANCES

1. PAN AM REQUESTED THAT DEPARTMENT RAISE PAA REMITTANCE PROBLEMS ON OCCASION OF RECENT VISIT OF INDIAN FINANCE MINISTER AND FINANCE SECRETARY. SINCE DISCUSSIONS WERE SHORT AND ON GENERAL TOPICS, OPPORTUNITY TO RAISE PAN AM PROBLEM DID NOT ARISE. HOWEVER, DEPARTMENT BELIEVES THAT THE VISIT CAN STILL PROVIDE THE OCCASION FOR A RENEWED APPROACH, BUT IN NEW DELHI.

2. UNLESS EMBASSY SEES OBJECTION, THEREFORE, CHARGE OR ECONOMIC COUNSELOR IS REQUESTED TO RAISE MATTER WITH LIMITED OFFICIAL USE

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FINANCE SECRETARY, PERHAPS IN CONTEXT OF REVIEWING HIS TRIP TO U.S., DRAWING ON MATERIAL IN PARAS 3 AND 4 BELOW.

3. AS EMBASSY KNOWS, PAN AM HAS GIVEN REMITTANCE QUESTION TOP PRIORITY AMONG ITS MANY OPERATING PROBLEMS IN INDIA, PRIMARILY BECAUSE IT HAS RESULTED IN LARGE IDLE CASH BALANCES. WHILE THERE HAS BEEN SIGNIFICANT PROGRESS OVER

THE PAST YEAR OR SO, PAN AM CAN STILL MAKE REMITTANCES ONLY

AFTER ITS APPLICATION HAS BEEN FILED, FIFTEEN DAYS AT LEAST AFTER THE FUNDS ARE RECEIVED, AND ITS IDLE BALANCES ARE STILL BETWEEN SIX AND SEVEN HUNDRED THOUSAND DOLLARS. THE AIRLINE THEREFORE WANTS PERMISSION TO TRANSFER ITS FUNDS AT WILL. NATURALLY IT WOULD MAKE GOOD ANY SUMS SUBSEQUENTLY DISALLOWED BY THE CENTRAL BANK, ALTHOUGH IN PRACTICE DISALLOWANCES HAVE BEEN RUNNING AT LESS THAN 1 OF THE TOTAL. THE GOVERNMENT OF INDIA WOULD BE PROTECTED BY PAN AM'S CONTINUING INCOME, BUT IF NECESSARY PAN AM WOULD BE PREPARED TO KEEP ON HAND CASH BALANCES SOMEWHAT LARGER THAN ANTICIPATED DISALLOWANCES, BUT NOT MORE THAN ONE MILLION RUPEES (OVER \$100,000).

4. SUGGESTED TALKING POINTS:

A. THERE WAS ONE SPECIFIC POINT THAT WE WANTED TO RAISE WITH YOU IN WASHINGTON, BUT THERE WAS NO APPROPRIATE OPPORTUNITY TO DO SO, ALTHOUGH THE POINT IS RELATED TO THE QUESTION OF FOREIGN INVESTMENT, AND THE FACT FOREIGN INVESTORS CAN OFTEN BE FRIGHTENED OFF BY AN UNFAVORABLE OPERATING ENVIRONMENT.

B. THE PROBLEM IS THAT OF PAN AM'S REMITTANCES. WE RECOGNIZE THAT OVER THE PAST YEAR THE GOVERNMENT OF INDIA HAS MADE PROGRESS TOWARD REDUCING THE BURDEN ON PAN AM OF ITS REMITTANCE; JUSTIFICATION REQUIREMENTS, BUT PAN AM STILL HAS IDLE CASH BALANCES IN INDIA OF LIMITED OFFICIAL USE

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\$6-700,000.

C. WE URGE THAT PAN AM BE ALLOWED TO REMIT ITS EARNINGS AT WILL. PAN AM WOULD BE PREPARED TO MAKE GOOD ANY REMITTANCES DISALLOWED, WHICH HAVE BEEN RUNNING AT LESS THAN 1 OF REMITTANCE REQUESTS, AND PAN AM'S CONTINUING INCOME IS A GUARANTEE THAT THE FUNDS WOULD BE AVAILABLE. IN THIS WAY THE CENTRAL BANK COULD ASSURE ITSELF THAT NET REMITTANCES ARE FULLY JUSTIFIED, BUT PAN AM WOULD BE RELIEVED OF THE VERY REAL BURDEN OF IDLE BALANCES.

D. (IF SINGH COUNTERS THAT INDIA NEEDS FURTHER GUARANTEES:) I BELIEVE THAT PAN AM WOULD BE PREPARED TO KEEP ON HAND ENOUGH CASH TO COVER ANY ANTICIPATED DISALLOWANCES, PLUS A MARGIN FOR FLUCTUATIONS.

5. DEPARTMENT IS SENSITIVE TO CONCERNS EMBASSY HAS PREVIOUSLY EXPRESSED THAT WE NOT PUSH TOO HARD AND THUS INCREASE OUR DIFFICULTIES, BUT IT IS INCLINED TO FEEL

THAT APPROACH SUGGESTED ABOVE WOULD NOT FALL INTO THAT

TRAP. WE UNDERSTAND THAT PAN AM REP IN INDIA APPROVED
IDEA OF APPROACH IN WASHINGTON. VANCE

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Sent Date: 04-May-1977 12:00:00 am
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Disposition Date: 22 May 2009
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